SECTION No. XVI (B)

Previous references

P

File No. 16/9 of 1937-38.

Later references

Serial Nos.

P 81(E)

RAILWAY SECRETARIAT

SUBJECT

Note by Mr. R. H. Irani, Retired Chief Engineer, N. W. Ry, on his Chamarajanagar Satyamangalam Connection.

WD 117—GPB—8,000—30-7-35

There are certain fixed policies laid down by the G.O.I which are uniformly applied by them to all new projects - when they come up for their consideration. Thus if a new railway affects the traffic of the adjoining Rys, they first make a condition that the latter shd be adequately compensated. In this connection it is fair that the compensation shd be loss of "net" earnings by Mom & S.I.R. & not the "gross" earning. It is not clear whether the figures of loss of earning of the Rys, as given in the ~~case~~ file are based on gross or net earnings. It should also be watched that when loss of traffic is estimated the probable increased traffic due to the short route that may be obtained on Mom & S.I.R. should also be estimated, which will set off against the loss to the Rys. But all the figures must be "Net" & not "gross" i.e. based on the working ratio of the two Rys respectively. This system of demanding compensation for old lines from the new ones is a necessary "evil". It discourages new short circuit lines from being ~~with~~ existence & the necessary improvement to transport for the benefit of the General Public is subordinated to the consideration of compensation to the existing Rys.

In this connection a general glance at the Ry. map of

the Southern India would convince any one that the short circuit now proposed forming the base of the triangle with Mgalore & Salem as two sides meeting at Jalarpet was long overdue & had the territory between these places been under British jurisdiction it would have been constructed for the benefit not only of local trade & people, but of through traffic between North & South, 50 years ago. The Mgalore & Salem have during this long period have picked up traffic to such an extent that it now becomes difficult to pay for its loss to them which would have belonged to the short circuit line. Just because its construction had been delayed owing the Mysore territory intervening they now ask for the full compensation. Note that both Mgalore & Salem lines were worked by the S.I.R. after 5 years. Would they in that case if they had constructed the short circuit line have credited the existing lines with compensation now asked for! But the only difference is that the present proposal is that of my constituents.

Another policy of G.I.P. is that all new railway lines, must be surveyed, built & worked by the authority in whose jurisdiction the new line is situated. In the present case only 11 miles of the 120 odd miles is in Mysore territory & as for the rest the G.I.P. are not convinced as regards the new line paying & are therefore not keen on it. The Mysore Govt. however insists as it is being

built for various good reasons of the near Ry. & also for the benefit of the people of trade in the British territory, it may fairly be considered as part of their obligations but the G. T. P. Company do not wish to pay expenses for the survey owing to present financial conditions. If however they absolutely refuse to pay, as they have done, then is no other alternative but to pay for the entire cost of the survey. The survey must be very carefully done to find out not only the traffic from the Prairie Provinces & the New Ont. but the probability of increase in through traffic between North & South so that this increase may be set off against the compensation to Mann & Mc. I cannot see how G. T. P. R. is also affected as said in the notice to the file.

The G. T. P. built many branch lines & feeders during the period 1924-29. Their Ry shows on papers to pay 6 to 8% as a result of their surveys made before their Const., but after these working for about 4 years several of them only actually gave a return of only 1 to 3%, & it is thought they have not yet been giving satisfactory returns. The above results were ascertained before the depression period. This state of affairs has made the G. T. P. to exercise great caution in accepting papers for new prospects. It is for this reason that they have stated that the financial result of 5 to 5½% would be considered as satisfactory - to enable them to decide on the construction

of this line, though the present rate of borrowing is in the vicinity of 3½ %

Now it is proposed to carefully examine the financial position of the new undertaking. Supposing the entire scheme costs 250 Lacs including additional rolling stock for new line, & if the G.I.P. agree to a guaranteed interest of 3½ % on the outlay, as against 3¼ % market rate then they would have to be re-imbursed 8,75,000 Rs p.a. But the net earning according to present figures would be 1½ % i.e. after paying compensation Rs. 375,000 p.a. Hence a balance of about 5 Lacs Rs p.a would have to be paid to them by Mysore Govt against the guarantee every year. In order to obtain this amount the new Ry along with the existing Mysore State Rys would have to earn about 5×4 = 20 Lacs p.a. gross earning, i.e. taking 25 % as the working rates. The question is whether after the new Ry is built the traffic originating from Mysore State as well as that from North & South of it & via, will receive the impetus necessary to increase, in course of time, the gross earning by 20 Lacs p.a. over & above that on which a net return of 1½ % on capital outlay on the new line is calculated. Otherwise the amount to be paid to G.I.P. annually against the guarantee, would be a permanent burden on the State, unless they consider it a sacrifice well worth risking for the well-being of the subject & the local trade & industry.

That the G.I.P. have said that the cost of the Survey would be deducted from the loss to them shows that they may not be in favour of constructing the line

Note by Mr. R.H. Irani, Retired Chief Engineer of N.W. Railway

---

There are certain fixed policies laid down by the Government of India which are uniformly applied by them to all new projects when they come up for their consideration Thus, if a new railway affects the traffic of other adjoining railways, they first make a condition that the latter should be adequately compensated. In this connection it is fair that the compensation should be loss of 'net' earnings by M.S.M. Railway and S.I. Railway, and not the gross earning. It is not clear whether the figures of loss of earnings to these Railways, as given in the file, are based on gross or net earnings. It should also be watched that when loss of traffic is estimated the probab increased traffic due to the shorter route that may be obtained on M.S.M. Railway and S.I. Railway, should also be estimated, which will set off against the loss to these Railways. But all the figures must be "net" and not "gross", i.e., based on the working ratio of the two Railways respectively. This system of demanding compensation for old lines from the new ones is a necessary "evil" . It discourages new short circuit lines from coming into existence, and the necessary improvement to transport for the benefit of the General Public is subordinated to the consideration of compensation to the existing Railways.

In this connection a general glance at the Railway map of the Southern India would convince any one that the short circuit now proposed forming the base of the triangle with M.S.M. Railway and S.I. Railway as two sides meeting at Jolarpet, was long overdue and had the territory between these Railways been under British jurisdiction, it would have been constructed for th benefit not only of local trade and people, but of through traffi between North and South, 50 years ago. The M.S.M. Railway and S.I. Railway have during this long period piled up traffic to such an extent that it now becomes difficult to pay for its loss

to them which would have belonged to the short circuit line; just because its construction had been delayed owing to the Mysore territory intervening and they now ask for the full compensation I note that both M.S.M. Railway and S.I. Railway are likely to be worked by the Government of India after 8 years. Would they, in that case, if they had constructed the short circuit line, have credited the existing lines with compensation now asked for? But the only difference is that the present proposal is that of Mysore State.

Another policy of Government of India is that all new lines must be surveyed, built and worked by the authority in whose jurisdiction the new line is situated. In the present case only 11 miles of the 120 odd miles is in Mysore territory and as for the rest the Government of India are not convinced as regards the new line paying and are therefore not keen on it. The Mysore Government however insists on its being built for various good reasons. As the new Railway is also for the benefit of the people and trade in the British territory, it may fairly be considered as part of their obligation, but the Government of India apparently do not wish to pay penses for the survey owing to present financial conditions? If however, they absolutely refuse to pay, as they have done, there is no other alternative but to pay for the entire cost of the survey. The traffic survey must be very carefully done to find out not only the traffic from the country served by the new line and that diverted from M.S.M. Railway and S.I. Railway, but the probability of increase in through traffic between North and South, so that this increase may be set off against the compensation to M.S.M. Railway and S.I. Railway. I cannot see how G.I.P. Railway is also effected as said in the notes in the file.

The Government of India built many branch lines and feeder lines, during the period 1924-29. These Railways showed on paper

to pay 6 to 8% as a result of traffic surveys made before their construction, but after their working for about 4 years several of them could actually give a return only 1 to 3% and it is thought they have not yet been giving satisfactory returns. The above results were ascertained before the depression period. This state of affairs has made the Government of India to exercise great caution in accepting paper figures for new projects. It is for this reason that they have stated that the financial result of 5 to 5½% would be considered as satisfactory to enable them to decide on the construction of this line, though the present rate of borrowing is in the vicinity of 3¼%.

Now, it is proposed to cursorily examine the financial position of the new undertaking. Supposing the entire scheme costs 250 lakhs including additional rolling stock for new lines, and if the Government of India agree to a guaranteed interest of 3½% on the outlay, as against 3¼% market rate, then they would have to be re-imbursed Rs.8,75,000 per annum. But the net earnings according to present figures would be 1½% after paying compensation, i.e., Rs.3,75,000 per annum; hence a balance of 5 lakhs of rupees would have to be paid to them by Mysore Government against the guarantee every year. In order to obtain this amount the new Railway along with the existing Mysore State Railways would have to earn about 5 x 4 = 20 lakhs per annum gross earning, i.e., taking 75% as the working ratio. The question is whether after the new Railway is built, the traffic originating from Mysore State as well as that from North and South of it and via, will receive the impetus necessary to increase, in course of time, the gross earning by 20 lakhs per annum over and above that on which a net return of 1½% on capital outlay on the new line is calculated; otherwise this amount to be paid to Government of India annually against the guarantee would be a permanent burden on the State, unless they consider it a sacrifice well worth

risking for the welfare of the subject and the local trade and industry.

That the Government of India said that the cost of the survey would be dead loss to them shows that they may not be in favour of constructing this line.